SURFACE RIGHTS BOARD

ANNUAL REPORT

April 1, 2014 to March 31, 2015

Table of Contents

	Page
Board Profile and Mandate	1
Dispute Resolution Activities	3
Decisions of Note	6
Other Board Activities	7
Finances	9
Challenges for 2015/16	10
Appendix 1 – Overview of Board Process	11
Appendix 2 – Board Members' Biographical Information	13

Board Profile and Mandate

The Surface Rights Board (SRB or the Board) is a quasi-judicial administrative tribunal established under the *Petroleum and Natural Gas Act* (*PNGA*). The Board has jurisdiction to resolve disputes under the *PNGA*, *Mining Right of Way Act*, *Mineral Tenure Act*, *Geothermal Resources Act*, and *Coal Act*.

In British Columbia, most landowners do not own subsurface rights to petroleum, natural gas, or minerals. The majority of subsurface rights are owned by the Crown. The government can issue rights to resource companies and free miners for the exploration and development of subsurface resources on private property. The resource company or free miner must compensate landowners for loss or damage caused by entering and using their land to access subsurface resources. The Board's role is to assist in resolving disputes when the parties cannot agree on compensation or other terms of entry to land.

When a landowner and a resource company or free miner are unable to reach an agreement on right of entry to the land and the compensation that should be paid to the landowner for that right of entry, either party may apply to the Board for mediation and arbitration of the dispute. The Board may make an order allowing a person or company to enter private land if the Board is satisfied they need the land to explore for, develop, or produce a sub-surface resource. The Board does not have jurisdiction to determine whether a proposed subsurface installation is appropriate or complies with the legislation and regulations.

If damage to land is caused by an entry for the purpose of exploring for, developing or producing a subsurface resource, the landowner may apply to the Board for mediation and arbitration of damages payable by the subsurface holder.

If the parties to a surface lease cannot agree to terms for rent renegotiation after a certain period of time, either party may apply to the Board for mediation and arbitration of their dispute.

The Board also has jurisdiction to resolve disputes about whether the terms of a surface lease have been complied with.

An overview of the Board's processes may be found in Appendix 1.

The Board is accountable to the Minister of Natural Gas Development but is independent of the Minister and Ministry in its decision making capacity and in the management of applications before it.

The Board has a part-time chair, and may have up to eight additional part-time members.

The following Board members served during fiscal year 2013/14:

Name	Position	Start date	Expiry
Cheryl Vickers	Chair	July 22, 2007	December 31, 2016
Simmi Sandhu	Vice Chair as of Jul 22/12	July 22, 2007	July 31, 2018
Valli Chettiar	Member	June 22, 2012	July 31, 2018
Winton Derby	Member	June 2, 2014	July 31, 2016
Robert Fraser	Member	February 13, 2014	December 31, 2016
Howard Kushner	Member	June 2, 2014	July 31, 2016
Brian Sharp	Member	November 23, 2012	December 31, 2015

Biographical information on the Board Members is at Appendix 2.

Dispute Resolution Activities

The Board received 63 applications from April 1, 2014 to March 31, 2015, under the *PNGA*. The Board received one application under the *Mineral Tenure Act* (*MTA*). The Board did not receive any new applications under the *Mining Right of Way Act (MRWA), Coal Act* or *Geothermal Resources Act*. The following chart shows the number of applications by type received from April 1, 2014 to March 31, 2015 compared to the previous year.

Nature of Application	**# received in period**	**2013/14**
PNGA (right of entry/compensation for wellsite)	5	6
PNGA (right of entry/compensation for flowline)	12	6
PNGA (right of entry/compliance/related activity	0	0
PNGA (damages)	0	1
PNGA (rent review)	42	13
PNGA (compliance)	1	1
PNGA (termination of surface lease)	0	0
MRWA	0	3
MTA	1	0
Total new applications	**64**	**32**
Cases outstanding from previous year	44	87
Total caseload in period	**108**	**119**

When the Board receives an application for right of entry for an oil and gas activity, a mediator will determine whether access to land is required for the requested activity, and if so, work with the parties to try and resolve compensation. The Board does not have jurisdiction to determine if a requested activity meets regulatory requirements or to deal with landowner's concerns respecting placement of an installation, environmental impact, or safety – these are matters within the jurisdiction of the Oil and Gas Commission (OGC). The Board will generally require parties to resolve issues within the jurisdiction of the OGC prior to issuing an entry order. The mediator will continue to work with the parties in an effort at resolving compensation issues even after an entry order has been made until the mediator determines a resolution is unlikely. Once the mediator refuses further mediation, the dispute is referred to an arbitrator for adjudication. An application may require several mediations before it is either resolved or referred to arbitration.

The Board similarly mediates applications for damages and rent review in an effort at having the parties resolve the dispute. Once a mediator refuses further mediation, the dispute is referred to an arbitrator for adjudication.

The parties may also negotiate issues without the assistance of a Board mediator in at effort at resolution.

During the reporting period, the Board completed 34 cases as indicated by the Table below:

Case Completions:	**Current year**	**Previous year**
Abandoned	6	8
Settled by mutual agreement	8	47
Arbitrations	16	13
Dismissed	1	4
Orders to change leases	3	3
Total completed	34	75

Of the applications open at March 31, 2015, 67 were at the mediation stage of the process or pending further mediation, and 7 at the arbitration stage as indicated by the Table below:

Outstanding at March 31, 2015

Application under review	0
Application deficient	0
Examining Jurisdiction	0
Pending OGC process	0
Mediation	66
Further mediation pending	1
Arbitration	7
Total outstanding cases	74

The following Table shows the level of dispute resolution and other activities in the reporting period compared to the previous year.

Dispute Resolution & other activities:	Current year	Previous year
Mediations	26	47
Right of entry orders	8	10
Decisions following Arbitration	8	13
Cost orders	0	4
Other Board decisions *	12	2

* Includes decisions on jurisdiction and whether to re-open cases upon reconsideration.

One of the right of entry orders was to allow entry to land to construct and operate natural gas wells and a water source well, one to allow access to a well pad, and six to construct and operate flowlines.

The Board's decisions may be judicially reviewed under the *Judicial Review Procedure Act* within the time established by the *Administrative Tribunals Act*. No judicial review applications were filed from Board decisions in the reporting period. Two judicial review applications filed in the previous year were completed in the reporting period. In *Progress Energy Canada Ltd. v. Salustro* (2014 BCSC 960) the court found the Board's decision to increase the rental payments under several surface leases was unreasonable in light of the evidence and referred the determination of rent back to the Board. In *Christmann v. New Nadina Explorations Ltd.* (2014 BCSC 2165) the court upheld the Board's decision under the *Mineral Tenure Act* with respect to whether land in issue was "land under cultivation".

Decisions of Note

What follows is a brief synopsis of some of the Board's decisions of note in the reporting period.

Petroleum and Natural Gas Act

Jurisdiction – The Board issued three decisions on the issue of whether a pipeline or segment of a pipeline was a "flow line" within the meaning of the *Petroleum and Natural Gas Act* and the *Oil and Gas Activities Act*. If a pipeline is not a "flow line", the Board does not have jurisdiction to make a right of entry order or determine compensation payable to a landowner. Generally speaking, the Board has found that a pipeline segment that is located within the gathering system and functions as part of the gathering system to transport raw gas to a processing plant is a "flow line". In *Encana Corporation v. Ilnisky*, Order 1823-1, April 11, 2014, the Board found a pipeline in four segments including a line to transport produced gas from a well site, a fuel line, a hydraulic fracturing water supply line and a hydraulic fracturing water return line was a "flow line". In *ARC Resources Ltd. v. Hommy*, Order 1837-1, September 26, 2014, the Board found three segments of a pipeline in four segments, including a 16 inch line to transport produced gas from a well site, a hydraulic fracturing water supply line also licensed for bidirectional use to carry natural gas, and a fuel line were a "flow line". The Board found that a fourth segment to be used to carry produced water from storage facilities at a processing plant to a well head for disposal was not a "flow line". In *Spectra Energy Midstream Corporation v. London*, Order 1694-3, February 24, 2015, the Board found the Bisette Pipeline is a "flow line".

Compensation – The Board determined the compensation payable for entry to and use of Lands to for temporary workspace used in the construction of the Bisette Pipeline (*Spectra Energy Midstream Corporation v. London,* Order 1694--3, February 24, 2015).

Rent Review – In two rent review arbitrations, the Board determined the rent should remain the same (*Piper v. Encana Corporation*, Order 1803/1810-2, August 25, 2014 and *London v. Encana Corporation*, Order 1747-2, August 27, 2014). The Board was required to reconsider its decision in *Salustro v. Progress Energy Resources Ltd* Order 1778/82-1, October 18, 2013. On reconsideration, the Board limited the rent increases to application of the Consumer Price Index (Order 1778-82-2, December 23, 2014). In *Peters v. Pengrowth Corporation*, (Order 1722-1, February 5, 2015), the Board maintained the annual rent at current levels with respect to six surface leases, and determined it should be increased with respect to a seventh lease on the basis of the evidence of the landowners' loss. In *Miller v ARC Resources Ltd.* (Oder 1825-1, February 25, 2015), the Board determined the annual rent should be reduced.

Other Board Activities

Administration:

The Chair of the SRB, Cheryl Vickers, is also the Chair of the Property Assessment Appeal Board (PAAB). The Ministry of Natural Gas Development, the Ministry of Community, Sport and Cultural Development (responsible for PAAB), and PAAB have entered into a Memorandum of Understanding appointing PAAB with the responsibility to oversee the operations and provide day to day administrative services for the SRB. The Board has a Service Agreement with Service BC in Fort St. John and Dawson Creek to provide the public with a local contact point and personal assistance in reviewing applications. The volume of inquiries through Service BC is very low. Most clients communicate directly with the Board through its office in Richmond via email or toll free phone or fax.

Security Deposits:

The Board collected $7,500 in security deposits in the reporting period.

The Ministry of Finance is holding $250,350 in security deposits that the Board ordered paid prior to entering land. The Board reviewed all the older security deposits, some dating back as far as 1976. After writing to the parties, the Board returned $61,150 in these older security deposits. The Board also processed three regular applications for the return of security deposits and ordered refunds totaling $15,500.

Filing of Surface Leases:

Section 178 of the *PNGA* requires the holders of surface rights to provide the Board with copies of surface leases and right of way agreements. Compliance with this provision was initially slow, but the Board now frequently receives copies of surface leases and amendment agreements as required. The Board does not know whether all surface leases and amendment agreements are being filed.

The Board is required to make copies of surface leases and right of way agreements available for public inspection at its office. Occasionally, members of the public have attended at the Board's office to view leases. The Board provides electronic access to electronic copies of leases to the Farmers Advocates Office for inspection on their agreement not to copy or distribute the leases.

The Board provided input to Ministry staff with respect to the development of a Regulation to allow the Board to publish surface lease information and create a searchable data base to assist parties before the Board with research on lease payments. The Regulation has not yet been enacted.

Case Management System:

With the assistance of the Property Assessment Appeal Board, the Board is designing a cost effective case management system to enable it to more easily track and manage applications and communicate with parties. The anticipated launch date is the middle to late 2015. Given the restricted budget, the system will not be as sophisticated as others in the tribunal community, however, it will offer gains in efficiency.

Finances

The Board's budget for 2014/15 was $108,000. As detailed in the table below, the Board was over budget by $6,171.

Expenditure Type	Budget	Actuals	Variance[1]	Notes
Salaries[2]	49,000	54,233	(5,233)	More cases handled by staff versus non-staff
Benefits	12,000	12,474	(474)	
Board Member fees and expenses	23,000	20,701	2,299	
Travel	23,000	3,798	19,202	Allocated to other expenditures
Information systems		11,216	(11,216)	Developing a case management system
Office and business[3]	1,000	11,749	(10,749)	Overhead charges
Total Expenditures	**108,000**	**114,171**	**(6,171)**	

Notes:

1. In the variance column (brackets) denote that actual expenditures were over budget.

2. The majority of salaries and benefits were for the Chair, Vice Chair and a member who are cross-appointed to the Property Assessment Appeal Board.

3. Overhead charges were billed at 15% of salary and benefits costs as per an MOU between the Property Assessment Appeal Board and the Ministry of Natural Gas Development.

Challenges for 2015/16:

The Board will continue to work with the Ministry in the development of regulations under the *PNGA*. In particular, the Board would like to see the development of a regulation to prescribe the information from surface leases that the Board may publish pursuant to section 178(4) of the *PNGA*. In the meantime, the Board is maintaining electronic copies of surface leases and amendment agreements and making them available for public inspection in accordance with section 178(3) of the *PNGA*.

The Board would also like to work with the Ministry in the development of an administrative penalty regulation enabling the Board to impose administrative penalties under section 179 of the *PNGA* for failure to provide the Board with copies of surface leases under section 178 of the *PNGA*. In the meantime, the Board continues to work with industry and other stakeholders to encourage compliance with section 178 of the *PNGA*.

The Board will complete building a new case management system to improve the efficiency and effectiveness of managing the caseload. The Chair will keep a close watch on opportunities that may arise from the tribunal transformation project, initiated by the Ministry of Justice, to develop on line "self-help" tools. Any technology initiatives in this field may need a separate budget envelop, possibly as part of the fiscal planning for 2015/16.

The Chair will continue to ensure the Memorandum of Understanding with the OGC is effectively providing for coordinated dispute resolution in cases involving the same parties and land.

Appendix 1

Overview of the Board's Process

Application

An application must be made on the form prescribed by the Board in its Rules. The Board reviews applications to ensure that they are within its jurisdiction and that they are complete and comply with the Board's Rules and relevant legislation. If an application is deficient, the Board will write to the applicant to provide an opportunity to correct any deficiencies. The Board may dismiss the application if the deficiencies are not corrected, or if an application is not within the Board's jurisdiction.

Mediation

A mediation is a dispute resolution process that attempts to facilitate resolution of the issues by agreement. A mediations may be conducted in-person or by telephone conference. A mediation is confidential and without prejudice to the positions the parties may take later in any arbitration proceedings.

If the parties have not resolved the issues at the end of the mediation session, the Board Member may schedule another mediation or refuse further mediation. If the mediator determines that access to private land is needed to explore for, develop or produce a subsurface resource, the mediator may issue a right of entry order and order the payment of a security deposit and partial payment for compensation. If the mediator makes an order refusing further mediation, the Board must arbitrate the dispute.

Arbitrations

The Board must arbitrate when the parties cannot reach an agreement. An arbitration is a dispute resolution process where each party presents evidence and arguments and the Board makes a decision based on those submissions.

Before an arbitration hearing, the Board will require the parties to attend a pre-hearing conference, usually conducted by telephone. The Board member will, in consultation with the parties, determine how the application will proceed including determining the issues to be decided, and setting dates for hearing and for the pre-production of evidence and witness lists.

The Board may conduct an arbitration hearing by telephone conference, by written submission, or in-person depending on the nature and complexity of the issues.

In-person hearings are open to the public and may be presided over by a panel of one or more members of the Board. Persons giving evidence at a hearing must swear an oath or affirm that their evidence will be the truth. The panel has control over the conduct of the hearing, including how the evidence is presented, what evidence is admitted, and the issuance of summons for witnesses.

Following the conclusion of the arbitration hearing, the panel will issue a written decision with reasons.

Evidence

The Board may accept any evidence that it considers relevant, necessary and appropriate with the exception of evidence that is inadmissible in court because of a privilege under the law of evidence. The Board will normally set timelines in advance of the hearing for the parties to submit documents or expert reports they intend to rely on at an arbitration.

Withdrawals or Consent Orders

A party may withdraw all or part of an application at any time, by completing a Withdrawal Form and delivering it to the Board and the other parties. If the parties settle the application, they must advise the Board and either withdraw the application or request that the Board incorporate the terms of the settlement into a Consent Order.

Costs

The Board may order a party to pay all or part of the costs of another party and, in exceptional circumstances, may order a party to pay the costs of the Board. Ordinarily, unless otherwise ordered by the Board, landowners may expect to recover their costs of the mediation process relating to applications for right of entry and associated compensation. The Board may order costs on its own initiative or on the application of a party.

Appealing the Board's Decision

Decisions of the Board may be judicially reviewed by the Supreme Court of British Columbia.

Appendix 2

Board Members' Biographical Information

Cheryl Vickers, Chair

Cheryl Vickers is a lawyer and formerly practiced in a variety of fields, including administrative law. Cheryl was appointed as Chair of the Mediation and Arbitration Board in July 2007. She also serves as Chair of the Property Assessment Appeal Board, a position to which she was appointed in January 2003, and in March 2013, Cheryl was appointed Acting Chair of the Civil Resolution Tribunal. Cheryl was active in the development of the British Columbia Council of Administrative Tribunals (BCCAT), and served as a member of that organization's Board of Directors including as Secretary from 1996 to 1998 and as President from 2004 to 2006. Cheryl has assisted in curriculum development for BCCAT courses offering training to appointees of quasi-judicial boards and tribunals. She has delivered these courses and workshops on case management and alternate dispute resolution for tribunals.

Simmi K. Sandhu, Vice Chair

Simmi Sandhu is a lawyer, called to the BC Bar in 1990. Simmi was appointed as a member of the Mediation and Arbitration Board in 2007 and is also a Vice Chair of the Property Assessment Appeal Board, a position she has held since 2001. As a lawyer, Simmi's areas of practice included administrative law, civil litigation, corporate/commercial law and real estate transactions. She has extensive experience in quasi-judicial proceedings, having acted as a Chair of the Board of Referees and has training and experience in conflict resolution and mediation. Simmi is on the Board of Directors of the British Columbia Council of Administrative Tribunals, currently serving as Past President.

Robert Fraser

Active in the real estate industry for many years, Rob Fraser has been a sales person, agent/manager, owner, local board president, provincial association president, and chair of a real estate related insurance company. In addition to his extensive experience and training in real property valuation, Rob also has expertise and training in conflict resolution, mediation, arbitration, and negotiation. He has a BA, an MA and did doctoral studies specializing in micro-demographic models. Rob was appointed as a Vice Chair to the Property Assessment Appeal Board in 1998. He was appointed to the Mediation and Arbitration Board as a member in 2007 and served as Vice Chair from December 2008 until July 2012.

Valli Chettiar

Valli Chettiar was appointed to the Surface Rights Board in 2012, and she is also a Vice Chair of the Property Assessment Appeal Board. Valli received her law degree from UBC, clerked for the Supreme Court of British Columbia, and was admitted to the BC Bar in 1993. Prior to establishing her sole practice in 2007, Valli held senior positions including partner of Borden Ladner Gervais LLP and General Counsel to Phillips, Hager & North Investment Management Ltd. Her practice areas included corporate, commercial, securities, real property, estates and trusts, corporate governance and administrative law. Valli has experience in dispute resolution, and served on the BC Health Professions Review Board from 2008 to 2010. Valli has also served on many professional, business, community and governmental organizations.

Winton Derby, Q.C.

Winton Derby practiced as a litigator in corporate, commercial, securities, family and administrative law and spent over 40 years at a national law firm, heading the Litigation group in the Vancouver office. He was called to the British Columbia Bar in 1965 and appointed Queen's Counsel in 1986. Winton was general counsel at a large restaurant chain and at a Vancouver based investment firm. His experience includes acting on professional negligence, contract, personal injury, property, slander and family matters. Winton has represented clients in numerous mediations and arbitrations and currently is a mediator and arbitrator at a Vancouver law firm. He is a member of the Property Assessment Appeal Board and was appointed to the Surface Rights Board in June 2014.

Howard Kushner

Howard Kushner is a practicing lawyer in Vancouver. He is a member of both the Law Society of British Columbia and the Law Society of Alberta. Howard has extensive experience in administrative law, having taught at the Faculty of Law, University of British Columbia and the Faculty of Law, University of Alberta and practiced in the area for over 15 years. Howard was the first Chief Legal Officer of the Law Society of British Columbia and the Deputy Executive Director – Regulation with the Law Society of Alberta. Prior to that, Howard was the Ombudsman for the Province of British Columbia. He is a member of the Property Assessment Appeal Board and was appointed to the Surface Rights Board in June 2014.

Brian Sharp

For 30 years, Brian Sharp owned and managed a real estate brokerage comprised of 180 real estate agents and 20 staff, with offices in Victoria, Westshore, Sidney, and Duncan, BC. During this time, he served on many committees for the Victoria Real Estate Board including mediation and arbitration of real estate disputes. Brian was the first recipient awarded the Victoria Real Estate Board Managing Broker of the Year in recognition of his role in mediating

disputes between the real estate industry and the public. Since 2009, Brian has been the Vice Chairperson of the Parks and Recreation Commission for the Municipality of Oak Bay. He was appointed to the Property Assessment Appeal Board and the Surface Rights Board in November 2012.